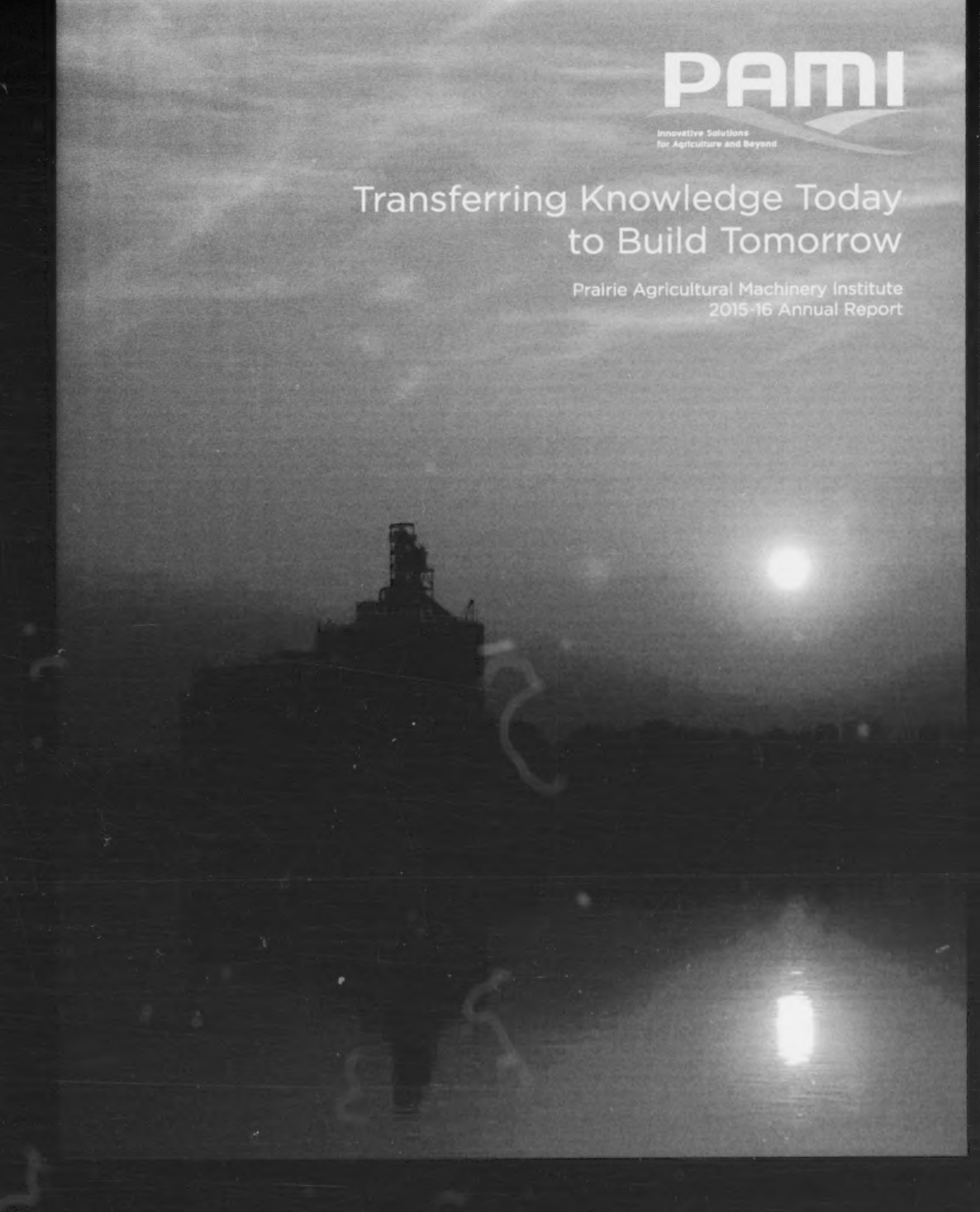

Transferring Knowledge Today to Build Tomorrow

Prairie Agricultural Machinery Institute
2015-16 Annual Report

ABOUT PAMI

The Prairie Agricultural Machinery Institute is:

- An ISO 9001:2008-registered and ISO/IEC 17025:2005-accredited applied research, development, and testing organization providing innovative solutions for agriculture and industry in Western Canada and beyond
- A farm-technology leader serving the agricultural sector by providing independent, third-party farm equipment evaluation and development, spurring technological advances in all areas of traditional farming practices
- A prairie-rooted organization located in Humboldt and Saskatoon, Saskatchewan, and Portage la Prairie and Winnipeg, Manitoba

PAMI's diversified engineering expertise has direct application for other sectors including transportation, defence and security, aeronautics, forestry, oil and gas, and mining. PAMI services include design, development, documentation, prototyping, evaluation of vehicles, machinery, and components, value-added process reviews, pilot plant design and optimization.

Cover Photo: Leah Lucyshyn
Photo Credits: Maurina Kimmen, Kathy Larson, Amanda Kosokowsky, Devin Lung, Leah Lucyshyn

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LETTERS OF TRANSMITTAL

Honourable Lyle Stewart
Minister of Agriculture
Government of Saskatchewan

Honourable Ralph Eichler
Minister of Agriculture
Government of Manitoba

July 12, 2016

The Honourable Vaughn Schofield
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2016. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,

Honourable Lyle Stewart
Minister of Agriculture
Government of Saskatchewan
Humboldt, Saskatchewan

July 12, 2016

Honourable Lyle Stewart
Minister of Agriculture
Government of Saskatchewan

Honourable Ralph Eichler
Minister of Agriculture
Government of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2016.

Respectfully submitted,

Tim Oleksyn
Board of Directors Chair
Prairie Agricultural Machinery Institute

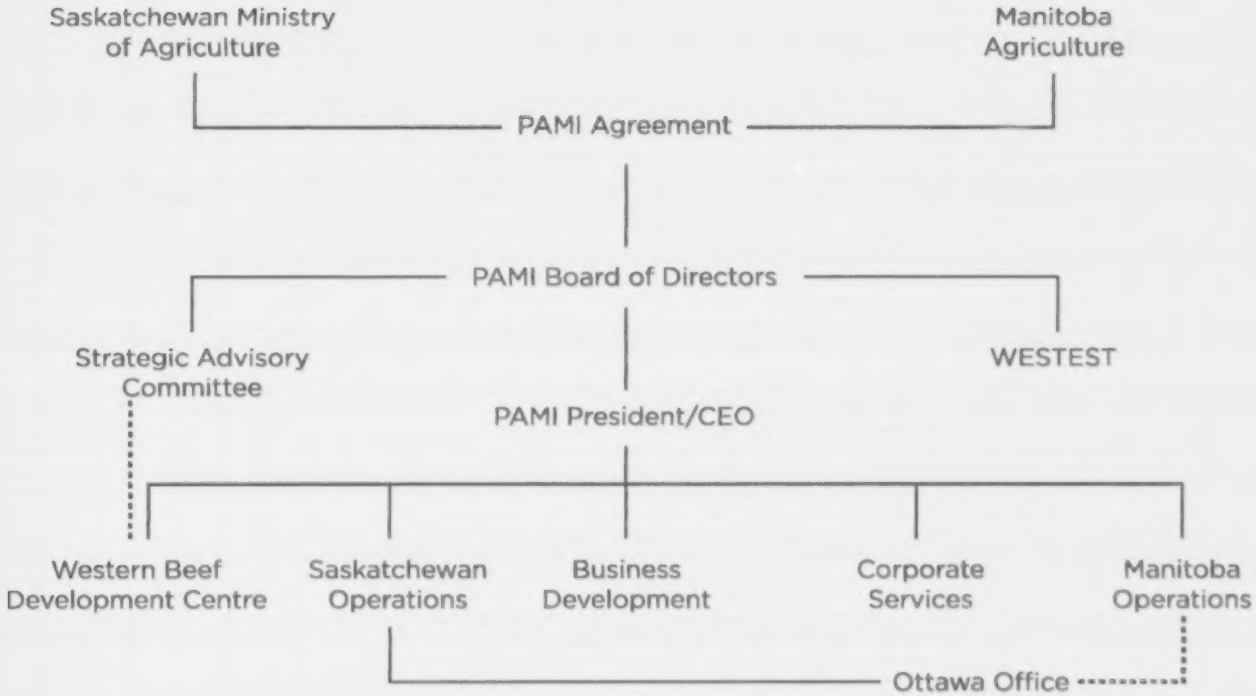
PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

Board of Directors

- Tim Oleksyn, Chair and Saskatchewan producer
- Bill Zettler, Vice-Chair and Manitoba producer
- Greg Archibald, Representative of Agricultural Manufacturers of Canada
- Bryan Hadland, Saskatchewan producer
- Boris Michaleski, Manitoba producer
- Leloni Scott, Representative of Manitoba Agriculture
- Dr. Abdul Jalil, Representative of the Saskatchewan Ministry of Agriculture

Corporate Management Team

- David Gullacher, President/Chief Executive Officer
- James Wassermann, Vice President, Saskatchewan Operations
- Harvey Chorney, Vice President, Manitoba Operations
- Dr. Paul Jefferson, Vice President, Western Beef Development Centre
- Joanne Forer, Vice President, Finance and Administration
- Kevin Dow, Vice President, Business Development



CHAIRMAN'S MESSAGE

PAMI is surrounded by opportunity and it is the goal of this board to help position the organization to respond to the need that exists. Although research spending flows a bit more cautiously in this economic climate, we find a surge of activity from small-to-medium enterprises, for example. This need to survey the demand has our board revisiting our strategic plan for a mid-point review. Around us we see precision technology, the need to manage surface water, the threat of Porcine Epidemic Diarrhea virus to the swine sector, opportunities to repurpose crop residue for energy and find ways to improve farm safety. Through it all, achieving the balance between producer issues and advancing the work of machinery manufacturers is our utmost responsibility as the PAMI board sets direction for the organization.

Another key activity for our board is the transition of the Western Beef Development Centre (WBDC). For over a decade, we have been operating WBDC; it will merge into the Livestock and Forage Centre of Excellence to be operated near Saskatoon by the University of Saskatchewan. Our role in this transition is two-fold. For one, we want to look after our staff and ensure they know and understand the impacts. Secondly, we advocate for the continued leadership in cow-calf and forage research that put WBDC on the map. We are excited for the new opportunities this collaboration will enable.

Collaboration is important to PAMI and the governments of Saskatchewan and Manitoba have always been important partners to our success. We credit them for taking the time to understand our capabilities and promoting us to adjacent industries whether on government or private projects. The Government of Manitoba is in transition and Ron Kostyshyn had been a tremendous cabinet minister with a strong understanding of the ag sector. We wish him future success and look forward to working with Minister Eichler. PAMI welcomes its continuing relationship with Minister Stewart in Saskatchewan.

Within agriculture and in other industries, there are problems to solve and opportunities to uncover. I am confident that the Corporate Management Team and the PAMI staff have the talents to meet the demand. The board of directors offers a sincere thank you to the employees for sharing their knowledge and capability with the industries we serve.

Tim Oleksyn
Board Chair
Prairie Agricultural Machinery Institute
Western Beef Development Centre

PRESIDENT'S MESSAGE

PAMI works hard for agriculture. We spend time and energy developing relationships with producers and industry groups, and there is no shortage of work to do. Agriculture is our core and our roots and we are proud to be a trusted player. We seek projects that serve agriculture while contributing to our financial sustainability. We also explore ways to serve the governments of Saskatchewan and Manitoba and align our organization in support of their economic visions.

While our role in agriculture is steadfast, PAMI has a dynamic nature that is prone to change. The transition of the Western Beef Development Centre is just one important change for which we prepare. Beyond this event, there are opportunities to embrace and we will work diligently with the board to find new areas to apply our organizational expertise.

Within PAMI, the people change. For over a year, we have been preparing for the retirement of Jim Wassermann. As the Vice President of Saskatchewan Operations, Jim always took time to listen to and understand his staff. He led from the heart but also took a pragmatic approach to the management of PAMI. Jim championed the balance between overseeing the financial stability of the organization but also trying to achieve the ideals of its mission and vision. PAMI is certain to feel the loss of Jim, but his style of leadership was one that raised leadership out of the Saskatchewan group of managers. They add their own versions of growth and renewal to the organization. I thank Jim for all he has done for this organization; he always put PAMI first.

Kevin Dow was the Vice President of Business Development until April 2016. Kevin was with us for a short amount of time but made a significant impact. He worked hard to boost PAMI's profile through relationship-building and dealing with people, and conducted his work with a great deal of energy. He also drew our talented staff out of the organization into presentation roles.

While a couple of key members of our Corporate Management Team are leaving, many talented employees remain and it is with them that we continue our work in this exciting climate. Agriculture is gaining acknowledgment as an important economic pillar and its many contributions are receiving acceptance nation-wide. May our efforts continue to serve and grow this vital industry.

David Gullacher
President and Chief Executive Officer

PAMI AT A GLANCE

AGRICULTURE RESEARCH

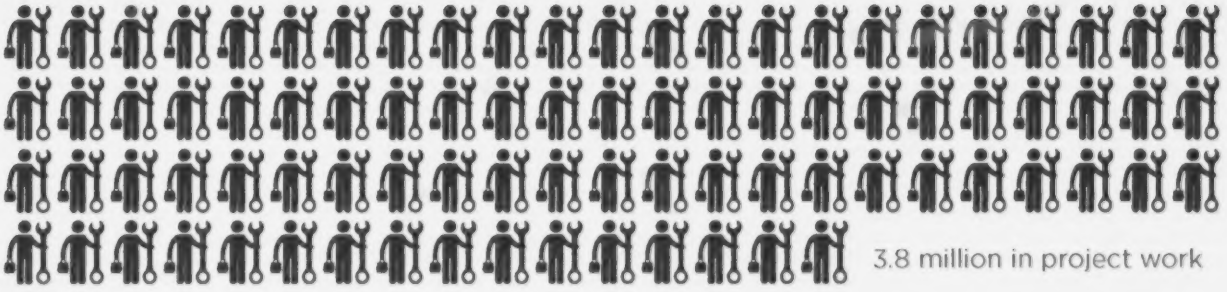
estimated 340 jobs created or maintained

AGRICULTURE DEVELOPMENT

focused on machinery innovation

estimated 78 jobs created or maintained

INDUSTRY/WESTEST

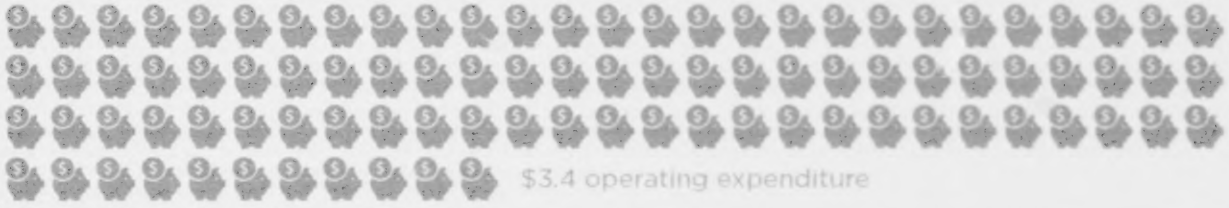


estimated 400 jobs created or maintained

SASKATCHEWAN OPERATIONS

50 jobs local to Humboldt, Saskatoon, and Lanigan

$4.8 million payroll



$3.4 operating expenditure

MANITOBA OPERATIONS

11 jobs local to Portage la Prairie and Winnipeg

$870,000 payroll

$630,000 operating expenditure

OUTREACH

62 publications

42 speaking engagements

STRATEGIC DIRECTION

Vision
Innovative solutions for agriculture and beyond.

Mission
To ensure agricultural sustainability and profitability through research, innovation, adaptation, and knowledge transfer. We partner with and serve a broad range of clients to achieve our mission.

Long-Term Objectives
PAMI's five key strategic focus areas are:

1. to increase PAMI's profile, public visibility, and communications
2. to develop new technical initiatives
3. to increase our financial stability and growth
4. to develop human resource strategies to increase our flexibility and efficiency
5. to ensure PAMI stays competitive in the marketplace while maintaining our core competencies and responsiveness

Focus 2015-16

Crops Strategy
- Adapting agricultural technology to facilitate the introduction of new crops
- Enhancing and evaluating equipment that will enable increased crop production
- Supporting Manitoba's Grain Innovation Hub through expertise in grain drying, conditioning, handling and storage

Irrigation Strategy
- Supplying the engineering expertise that will enable irrigation development
- Helping farmers to manage water in both drought and excess moisture

Value-Added Strategy
- Focusing on primary processing
- Developing expertise in research commercialization

Livestock Strategy
- Exploring labour-saving techniques to assist producers in achieving competitiveness
- Optimizing the linkages between crop production and livestock feeding systems
- Safeguarding the industry from biohazards and security risks

Goals 2015-16

Given the long-term objectives noted above, the following are PAMI's highest priority goals for the next year:

- Increase revenue through diversified clientele and deeper market penetration
- Engage provincial stakeholders in Saskatchewan and Manitoba
- Secure projects in the agricultural manufacturing sector
- Develop agricultural research funding and propose projects with an aim toward sustainability

OPERATIONS HIGHLIGHTS

The following project profiles showcase a sampling of our work.

AGRICULTURAL RESEARCH

Direct-Cut Canola Harvesting

Funded by: Western Grains Research Foundation, Saskatchewan Canola Development Commission, Canada-Saskatchewan Growing Forward 2

Purpose: to evaluate the effectiveness of direct-cut canola harvesting systems against the conventional swath-based approach

Focus 2015-16: to add a third site in Humboldt in addition to last year's trials in Swift Current and Indian Head

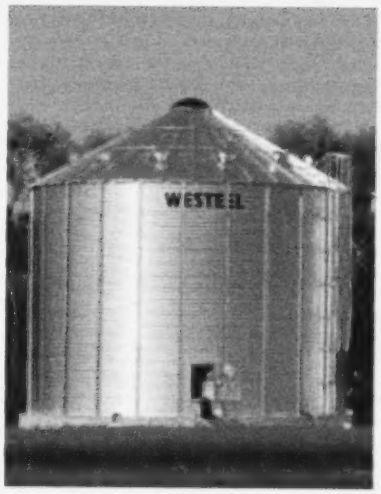
Fact: If producers are considering straight cutting canola, they should choose flat and elevated fields for even maturity, utilize shatter resistant varieties, and consider using an extendable knife or draper header in order to maximize harvested yield and seed quality.

Grain Innovation Hub

Funded by: Canada-Manitoba Growing Forward 2

Purpose: to establish a world-class facility to study grain storage and movement

Focus 2015-16: to install two bins with perforated flooring, fans and unloading systems

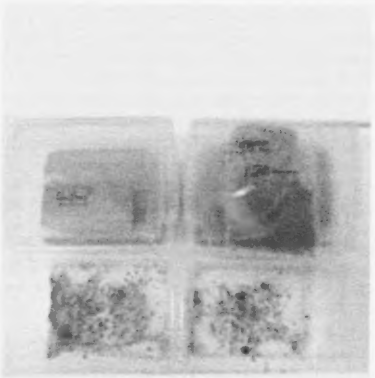


Cicer Milkvetch Scarification

Funded by: Saskatchewan Agriculture's Agriculture Demonstration of Practices and Technologies (ADOPT) program, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to explore different methods of scratching the seed coats of cicer milkvetch to encourage water penetration and germination

Focus 2015-16: to compare the test plot performance of three scarification techniques: rotary tumbling, abrasion and manual hand-sanding



Soil Nitrogen Content following Alfalfa Stand Termination

Funded by: Saskatchewan Agriculture's ADOPT program, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to determine the nitrogen benefit to soil after an alfalfa rotation

Focus 2015-16: to conduct soil sampling from five sites with varying soil and biomass types to determine nitrogen content; to produce a fact-sheet for producers

Seed Placement of Phosphorous

Funded by: District No. 08 ADD, ADOPT

Purpose: to determine seed-placed safe-rates for phosphorus fertilizer in canola using multiple seed openers with varying seed-bed utilization ratios.

Focus 2015-16: establishing replicated test plots in a medium, sandy-loam soil texture

Sprayer Aerodynamics

Funded by: Western Grains Research Foundation

Purpose: to investigate the impact of travel speed and system configuration on the air turbulence around the nozzles of an agricultural sprayer

Focus 2015-16: to use ultrasonic anemometers to take measurements in the wake of a full-size agricultural sprayer in field conditions

Vertical Tillage

Funded by: Manitoba Pulse & Soybean Growers, Manitoba Corn Grower Association, University of Manitoba

Purpose: to evaluate soybean residue management strategies on farm with field scale tillage equipment in different tillage system across Manitoba

Focus 2015-16: to measure the minimum horsepower, fuel consumption, draft force requirements and ground speed for four types of tillage equipment, including conventional discs, vertical tillage, high speed discs and strip till.

Fact: When compared to a conventional disc, the alternative tillage methods provided a higher work rate but generally consumed more fuel.

Natural Air Grain Drying

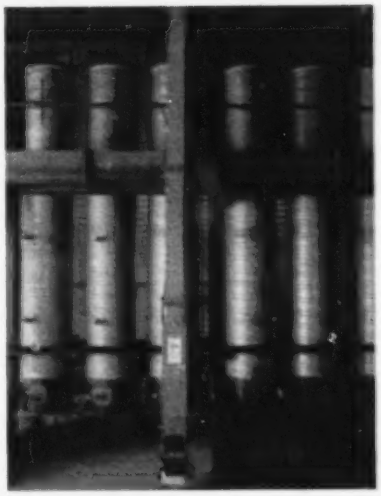
Funded by: Indian Head Agricultural Research Foundation

Purpose: to conduct replicated bench-scale drying trials to determine the effect of airflow rate on natural air drying efficiency as well as the efficiency of various temperature differential control strategies

Focus 2015-16: to evaluate the effect of airflow rate on cooling and drying of tough wheat

Fact: The high airflow rate was most effective at removing moisture from the grain. However, both the medium and high airflow rates resulted in both drying and wetting cycles throughout the trial (depending on air conditions).

Anemometers boom mount



PAMI's test bin set-up

Boiler Optimization for Biomass Fuels

Funded by: Manitoba Agriculture

Purpose: to work with local boiler manufacturers to optimize the combustion process for their boiler systems when burning biomass fuel and develop guidelines the manufacturers can use to assist their customers in the transition to biomass from coal

Focus 2015-16: to perform six tests that measure fuel rate, control settings, system parameters, and emission

Angle-Cutting Soybeans

Funded by: Canada-Manitoba Growing Forward 2

Purpose: evaluate the potential advantage of harvesting soybean rows at an angle as opposed to cutting in line with the rows while providing information on soybean losses with respect to different combine speeds

Focus 2015-16: to perform harvesting trials with a flex header with two different harvest angles and two different varieties

Fact: Loss versus speed curves were very different between 0° and 45° cut angles. The optimum header loss at 0° during harvesting was at 2.5 mph, while a similar header loss during the 45° harvest was at 4.5 mph.

Hemp Harvesting

Funded by: Manitoba Agriculture

Purpose: to explore harvesting techniques to enable fibre processing

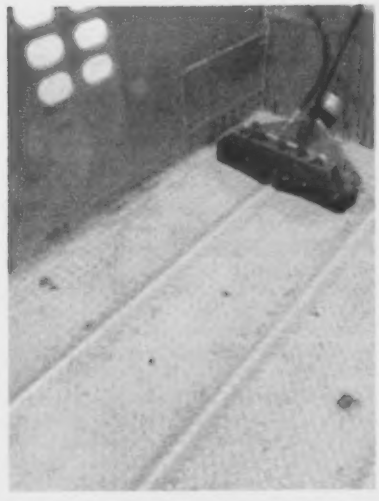
Focus 2015-16: to conduct field trials of a pull-type swather and flax puller

Porcine Epidemic Diarrhea virus (PEDv) Research

Funded by: Canada-Manitoba Growing Forward 2

Purpose: to prevent the spread of the fatal PEDv virus impacting the pork industry

Focus 2015-16: to determine the effect of cold, winter weather would have on the virus survivability in a lagoon



Improved Biosecurity for Livestock Transportation

Funded by: Swine Innovation Porc, Canadian Swine Research and Development Cluster II

Purpose: to prevent the spread of the PEDv virus

Focus 2015-16: to develop a proof-of-concept system that combines vacuum and high-pressure water wash to clean the floor surfaces of swine trailers

In-field Mobile Densification

Funded by: Canada-Manitoba Growing Forward 2

Purpose: to replace coal with biomass cubes for heating applications

Focus 2015-16: a trial to collect and process windrowed wheat straw in the field after harvest, feed it into the densification system and compact it into cubes.

Fact: The mobile densification system successfully created densified wheat straw cubes in the field as designed, but it is significantly less dense than coal.

Mobile densification system set up in-field

Best Practices for Summer Storage of Canola

Funded by: Canola Council of Canada

Purpose: to minimize spoilage of stored canola as it warms into spring and summer conditions

Focus 2015-16: to publish research findings in the Canola Digest publication

Cattails Management

Funded by: International Institute for Sustainable Development

Purpose: to convert cattails into a biomass pellet and ultimately create a bioenergy source

Focus 2015-16: to harvest, bale, store on field, and deliver cattail bales from Pelly's Lake to the pellet processing plant using a variety of techniques

Cattail windrows

Recycling Baler Twine and Net Wrap

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to explore ways to manage baler twine and net wrap waste

Focus 2015-16: to evaluate waste handling, decontamination, storage and compatibility for recycling

Flax Harvesting, Baling and Shipping

Funded by: Canada-Manitoba Growing Forward 2

Purpose: to expand Manitoba's flax fibre processing capabilities to open up European markets and opportunities

Focus 2015-16: establishing plots in various Manitoba sites and testing specialty equipment like pullers, turners and balers

WESTERN BEEF DEVELOPMENT CENTRE

WesternBeef
DEVELOPMENT CENTRE

The Western Beef Development Centre (WBDC) is a leader in collaborative applied research for the beef and forage industries, identifying and communicating opportunities for profitable innovation. Its mission is to collaboratively link lab and land for the competitiveness and sustainability of the cow-calf industry in Saskatchewan.

Strategic Advisory Committee:

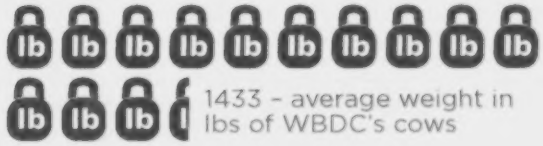
Tim Oleksyn (chair)
Murray McGillivray
Duane Thompson
Brent Griffin
Ross Macdonald
Ryan Sommerfeld
Steve Pylot
Levi Hull
Dr. John McKinnon
Dr. John Campbell
Grant Zalinko
Tracy Evans
Tod Wallace

The Centre is based at Termuende Ranch, which has an expansive land base and facilities, as well as a 337-head cow herd. The staff conduct research, development, and demonstration projects in partnership with the research community, industry and government.

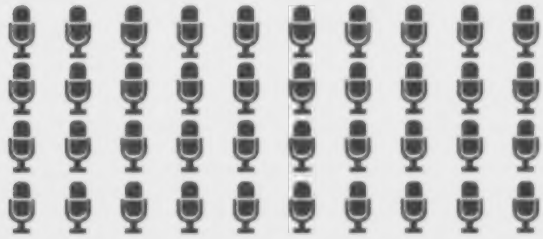
WBDC AT A GLANCE

337 calves born in 2015-16

91,564 YouTube views



1433 - average weight in lbs of WBDC's cows



40 speaking engagements

1201 Twitter followers, 286 tweets

223 attendees at 2015 Summer Field Day

5 graduate students

410 producers completed the Western Canadian Cow-Calf Survey

1320 measurements taken on a 90 day, 120 cow trial

944,919 feeding events recorded in 120d feeding trial

WBDC PROJECTS

These project profiles showcase a sample of WBDC's work

Evaluating Standing Corn for Backgrounding Steers

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to compare whole plant corn with swathed barley and traditional drylot-feeding hay and grain for over-winter backgrounded steers

Focus 2015-16: to complete the final year of research in a three-year trial comparing the costs and animal performance all the way to slaughter

Fact: While gains were similar among the three backgrounding systems, the steers feedlot-finished on corn grain had a higher number grading Prime. The cost of gain was 50 per cent lower for corn grazed steers compared to drylot-fed steers.

Evaluating Standing Corn for Winter-Feeding Cows

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to use whole plant corn to over-winter cows as an alternative to drylot feeding bales

Focus 2015-16: to complete this year of research in a three-year trial to compare the costs and animal performance of standing corn, swathed barley and drylot-feeding hay bales

Fact: Both standing corn and swathed barley are suitable, cost-effective feed sources for dry, pregnant beef cows. Cows managed in the field-grazing systems (standing corn and swathed barley) had lower system costs – 26 and 37 per cent, respectively – compared to the drylot green-feed barley system.

Fixed-Time Artificial Insemination (FTAI) vs. Natural Service

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to compare fixed-time artificial insemination using an estrus synchronization protocol with the more common practice of natural service bull breeding

Focus 2015-16: to compare and evaluate conception, calf performance and cost

Fact: The cost of FTAI is higher than natural service breeding ($123/cow vs. $85/cow). However, when the improved conception rate, shorter calving span and more total pounds of calf weaned are factored into a partial budget analysis, FTAI increased net profit in this one-year demonstration project.

Temporary Fencing for Livestock Grazing

Funded by: Alberta Livestock and Meat Agency Ltd., Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to develop equipment for temporary fencing that enables crop residue grazing by cattle and other ruminants

Focus 2015-16: to develop design criteria, evaluate existing technology and develop preliminary concepts

A series of A-frames and wires forms a fence

Cost of Production Tools

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to provide tools and training for cow-calf producers to calculate their break-even points

Focus 2015-16: to finalize upgrade CowProfit$ software for latest Windows platforms and roll out training sessions to producers

Management and Marketing Practices of Young Ranchers

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to explore the management and marketing practices of ranchers (with a special focus on young ranchers age 35 and under), and the challenges and opportunities they face as new entrants to the industry

Focus 2015-16: to collect data and perform trend analysis
Fact: The Western Canadian Cow-Calf Survey showed that producers have satisfactory production performance but there is room for improvement. Young ranchers have similar challenges to established producers. Access to financing, finding suitable land at an affordable price, and succession planning are key concerns.

DNA Paternity Testing for Multi-Sire Breeding Herds

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: determine sire prolificacy using DNA paternity testing and determine the economic value of this technology

Focus 2015-16: to collect DNA and parentage analysis completed for the first of three calf crops on five cooperating ranches across Saskatchewan, and a 100 cow group at WBDC

Pellet Size and Durability Evaluation

Funded by: Saskatchewan Agriculture's Agriculture Development Fund, supported by Canada-Saskatchewan Growing Forward 2

Purpose: to evaluate the importance of pellet size and binding agents for supplementing cows on barley straw-chaff

Focus 2015-16: final year of research in a two-year trial

Fact: The wastage when feeding the pellets on snow was less than two per cent, suggesting that a producer can safely feed conventional pellets to their cows as long as the pellets are formulated to meet the protein and energy requirements of the cows. The study suggests that paying additional costs for binding agents and increased pellet size does not pay off.

Quality of Annual Forages

Funded by: Beef Cattle Research Council

Purpose: to evaluate the productivity and quality of seven annual crops seeded in spring and stockpiled until October for grazing

Focus 2015-16: to seed five sites and evaluate the crude protein, neutral detergent fibre, total digestible nutrients, and nitrate concentration on a dry matter basis

Fact: All crops had adequate crude protein concentration for fall grazing by spring-calving cows. Soybeans, corn, fall rye and annual ryegrass had higher total digestible nutrients concentration than barley, oats and millet. These energy levels would be adequate for fall grazing by cows.

APPLIED AGRICULTURAL SERVICES

Enhanced Efficiency Fertilizer Plots

Funded by: Climate Change and Emissions Management Corporation, University of Saskatchewan, University of Manitoba, University of Alberta

Purpose: to establish agricultural research plots to facilitate evaluation of enhanced efficiency fertilizer formulations' contribution to reducing NO2 emissions.

Focus 2015-16: to apply anhydrous ammonia and granular fertilizer products containing nitrification inhibitors and controlled release properties to plots at sites near Outlook, SK and St. Albert, AB.

Ag in Motion Plot Services

Funded by: ATP Nutrition, Canterra Seeds, Stoller Enterprises, NuFarm, The Rack

Purpose: to establish and maintain agricultural demonstration plots for the Ag in Motion outdoor farm show outside of Saskatoon in July

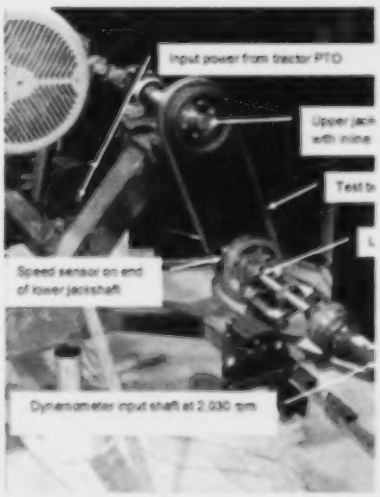
Focus 2015-16: to apply seed, fertilizer, herbicide/fungicide treatments, and mow/trim plots for display

Liquid Micronutrient Tank Mix Compatibility Test Trials

Funded by: Yara Belle Plaine Inc.

Purpose: to prepare specialty product mixture samples and evaluate product compatibility with pesticides, herbicides, fertilizer additives and carriers when tank mixed and utilized in a sprayer unit

Focus 2015-16: to advise on tank mix compatibility so client could disseminate information to producers



Redekop Chopper Driveline Testing

Funded by: Redekop Manufacturing

Purpose: to test multiple combine chopper belt drive configurations through lab tests while monitoring load, and belt slip. The test data was used to support the client's objective of supplying a residue management system to an OEM combine manufacturer

Focus 2015-16: to provide relevant lab test data for various belt drive configurations

Subsurface Drainage for Water Management

Funded by: Canada-Manitoba Growing Forward 2, Growing Innovation Agri-Food Research and Development Initiative

Purpose: to explore subsurface drainage as an option for managing water through flood and drought events

Focus 2015-16: to create a decision-support tool by providing information about the technology, design principles, and economic factors involved in implementing a drainage system

Air Seeder Distribution Testing with Coated Fertilizer

Funded by: Yara Belle Plaine Inc.

Purpose: testing a new micro-nutrient fertilizer product in air seeders to ensure continued metering and distribution equipment performance

Focus 2015-16: to cycle four different product blend variations through the metering and pneumatic distribution systems of a modern air seeder

Fact: The coated fertilizer posed no handling issues in seeding equipment under simulated typical Western Canadian environmental conditions.

Equipment Rental and Custom Rate Guides

Funded by: Saskatchewan Ministry of Agriculture, Manitoba Agriculture

Purpose: to support the governments of Saskatchewan and Manitoba in providing information to producers on approximate costs of renting equipment and obtaining custom farming operations

Focus 2015-16: to gather information for a bi-annual publication update

Air Flotation and Belt Filter Press Manure Separation System

Funded by: Manitoba Livestock Manure Management Initiative, Manitoba Pork Council

Purpose: to evaluate technologies that separate solid and liquid manure and, thereby, filter out phosphorus

Focus 2015-16: to collect and analyze composite samples of the influent manure stream, treated liquid stream and separated solids

Fact: The VP Systems separation system was successful in removing a high percentage of phosphorus in each trial.

Low-Cost ROPS

Funded by: Agriculture and Agri-Food Canada, Agrivita Canada

Purpose: to lower the cost of retrofitting Rollover Protective Structures to older tractors such that farmers will embrace the safety technologies

Focus 2015-16: to work with four farmers on the design and prototypes for ROPS

Fact: The average spent by the farmers to build ROPS was $144, compared to $750-2,000 structures available commercially.

EZ Opener Plastic Impact Test

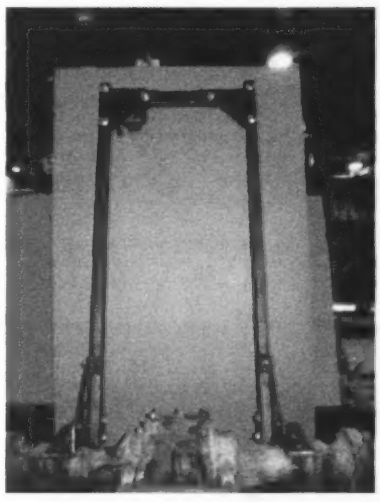
Funded by: Michel's Industries

Purpose: to provide destructive, cold temperature and materials testing on a private client's chute opener product

Focus 2015-16: to conduct all testing

"The testing we had completed by PAMI confirmed the product we were using is proven, and opens other opportunities to use a less expensive product. This will give us the same results but with reduced expenses."

– Bud Michel



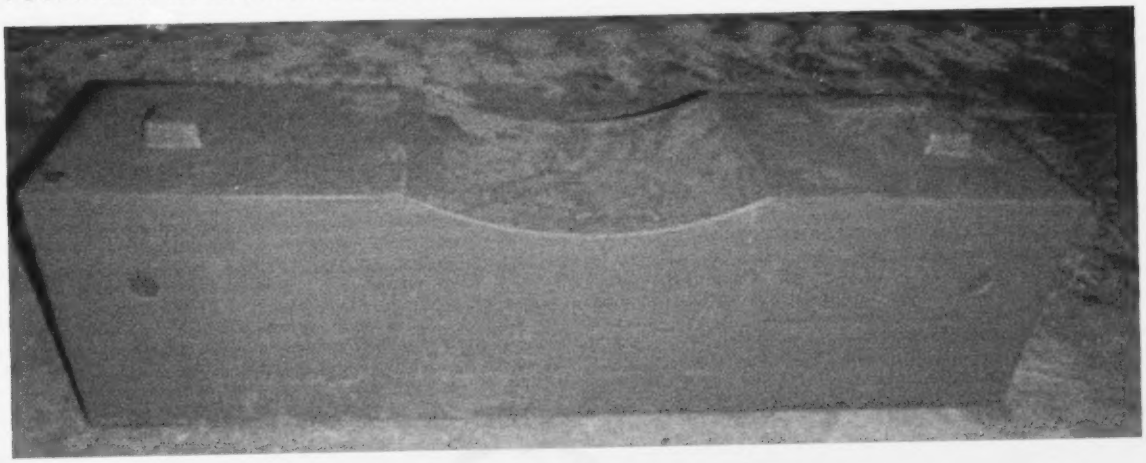
INDUSTRY

Destructive Testing of a Pipeline Sleeper

Funded by: Koenders Manufacturing Ltd.

Purpose: to evaluate the client's pipe sleeper to determine a load rating for use with both a 12 in. and 30 in. commercial pipe

Focus 2015-16: to provide destructive testing at two different temperatures



DynaBolter Soft Rock Control System

Funded by: DynaIndustrial Inc.

Purpose: to explore product improvements to the electro-hydraulic and control systems of a roof-bolter for the mining industry

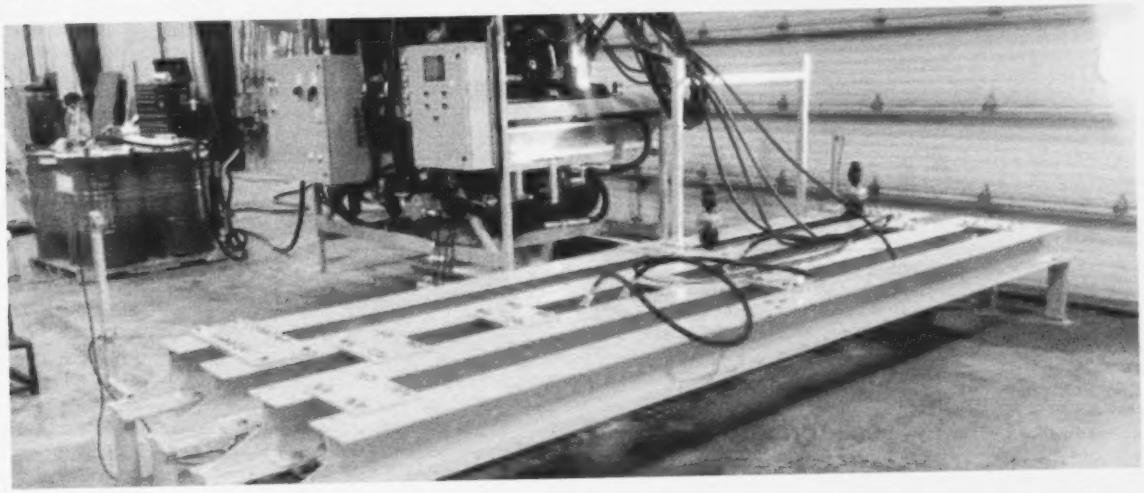
Focus 2015-16: to suggest a hydraulic system, design the electrical control system, design and fabricate an electrical harness, and integrate controls

Hydraulic Cylinder Test Bench

Funded by: RAM Industries Inc.

Purpose: to enable the client to conduct testing on hydraulic cylinders to verify performance and endurance

Focus 2015-16: to design, fabricate, commission, and provide initial start-up operational training for a hydraulic test bench

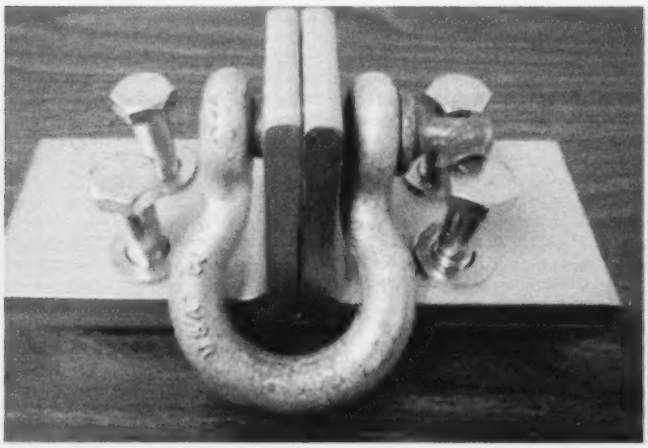


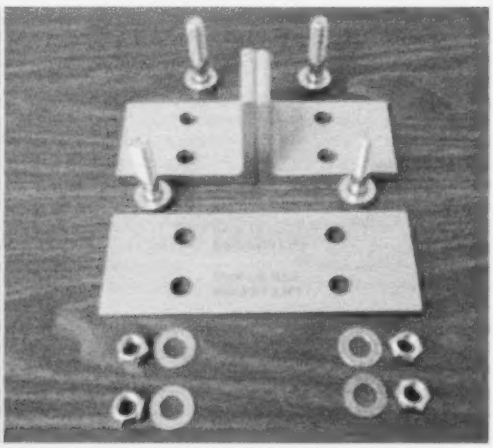
Bolt-On Lifting Lug System

Funded by: Saskatchewan Ministry of Highways and Infrastructure

Purpose: to improve the safety of welded lifting devices on the client's fleet of wheel loaders

Focus 2015-16: to design a bolt-on lifting lug system for wheel loader buckets
Fact: The lifting lug system designed by PAMI has a lifting capacity of up to 5,000 lbs.



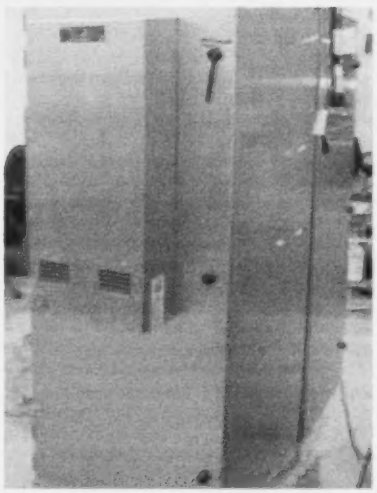


RADNET HVAC

Funded by: Canada Border Services Agency

Purpose: to source and design a heating, ventilation and air conditioning system for a RADNET equipment cabinet. The new HVAC system needed to be transferred from the inside of the cabinet to the outside while meeting environmental and physical size restrictions.

Focus 2015-16: to design a solution and provide hot and cold weather testing

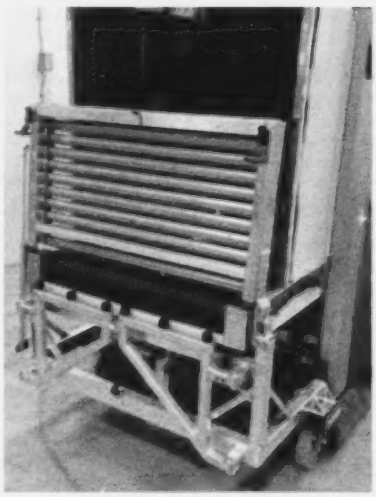


Roller Table Production

Funded by: Canada Border Services Agency

Purpose: to design and fabricate a new set of roller tables that attach to both sides of an X-Ray machine

Focus 2015-16: : to fabricate a prototype of the design and test it to ensure that impact from the packages onto the table would not transfer vibrations to the machine. The tables have the ability to be folded up into a transport and stowage position.



APPLIED BIOENERGY CENTRE

Solid-State Anaerobic Digestion

Funded by: internal

Purpose: to improve waste management

Focus 2015-16: to analyze the economic viability for using solid-state anaerobic digestion for three waste applications – feedlots, municipalities and greenhouse waste
Fact: The Applied Bioenergy Centre has successfully created a business case for municipal organic landfill waste.

Anaerobic Digestion in Manitoba

Funded by: Manitoba Agriculture

Purpose: to provide technical support to an anaerobic digester operated by Manitoba Hydro

Focus 2015-16: to troubleshoot issues with the flare, frozen pipes and roof track, and to support other features such as the controller, interface computer, hot water system and gas analyzer

Woody Biomass Characterization

Funded by: Natural Resources Canada

Purpose: to turn low-value biomass materials like bush material and harvest residue into a biofuel source

Focus 2015-16: to evaluate properties of woody residues to determine design and operational requirements for natural air drying systems

Technical and Economic Assessment of On-Farm Heating

Funded by: Manitoba Agriculture

Purpose: to evaluate the possibility of using whole bale biomass as an alternative heat source for mid-sized operations

Focus 2015-16: to complete a research report that explored the technical and economical implications of developing solid fuel (i.e. whole-bale) systems
Fact: Biomass can be an economical farm heating option. It cannot be substituted directly into coal-combustion systems, however, the operation and maintenance requirements of a biomass burner are similar.

Applying Biochar on Marginal Soil

Funded by: Titan Carbon Smart Solutions, Advancing Canadian Agriculture and Agri-Food Saskatchewan

Purpose: to evaluate how applying biochar mixed with compost to marginal soils affects crop yield and soil properties in Saskatchewan

Focus 2015-16: to conduct yield and soil quality trials utilizing a randomized block design at two sites with marginal (saline) soils, and a tomato pot trial

The two pots on the right have composted biochar

WESTEST

Board of Directors
Greg Archibald (Chair), Agricultural Manufacturers of Canada (AMC)
Rhonda Orr, Manitoba Hydro
Pamela Schwann, Saskatchewan Mining Association
Jason Abbott, John Deere
Craig Murray, CNH Global
Damir Gospic, AMC
Leah Olsen, AMC
Russ Klassen, AMC
Geof Gray, AMC

Western Canada Testing Inc. (WESTEST) is a testing and engineering facility with proven, industry-respected service, delivering advanced product engineering and development. The organization is owned by a group of five diverse industry associations and companies. PAMI provides all personnel and business functions to WESTEST under a management contract.

This year marks WESTEST's 25th year of business. It was incorporated as a not-for-profit corporation in 1991 and was given the objective to "equip, maintain, and operate research and development facilities and to carry on engineering test services and other analytical investigations in the fields of mechanical, civil, and agricultural engineering, and in connection with the foregoing to provide physical testing services ..." throughout Canada and elsewhere. Our key market is amongst western Canada's small-medium-enterprises. Because of this, WESTEST is attractive as an implementing agency for funding organizations such as Western Economic Diversification Canada, who has supported many of WESTEST's initiatives. This early objective helped to frame WESTEST's vision, mission, and mantra:

Vision – To be a recognized leader in the provision of quality and innovative testing and design services for North American Equipment and component manufacturers

Mission – We are a pro-active organization with a reputation for performance, innovation, and a professional can-do attitude that makes a valued contribution to the success of our clients

Mantra – Prove and Improve Design

Vehicle Performance Centre (VPC)

The VPC has engine and chassis dynamometers and can evaluate heavy vehicles and their components including engines, drivelines, cooling systems, etc.

NEW TECHNICAL CAPABILITIES

Arctic Test Centre

Funded by: Western Economic Diversification Canada, PAMI, WESTEST

Purpose: to enable the testing of equipment in extreme cold conditions

Focus 2015-16: to fabricate a new shell and install new cooling components

Fact: Previously the chamber was the coldest spot in Saskatchewan (-55° C); with the new capability, it can now maintain its temperature with an engine in it operating under load.

Mechantronics, TerraMechanics, Spray Technology, Rapid Prototyping, and Instrumentation

Funded by: Western Economic Diversification Canada, PAMI, WESTEST

Purpose: to provide innovative test and product equipment for use in client projects

Fact: This equipment purchase gives Western Canadian companies access to innovative tools not previously available.

Projects

In 2015/16 WESTEST conducted several projects. All work for clients is confidential and cannot be described in detail.

A sampling of services provided:

- Rollover protective structure (ROPS) testing
- Vibration testing
- Rear impact guard testing
- Sway bar durability testing
- Fuel tank pressure and slosh testing
- Air drill frame durability testing
- Chassis dynamometer testing
- Tilt table testing
- Instrumentation and data collection

Under the direction of its board WESTEST implemented several measures aimed at increasing value to its member organizations and its key client groups:

- preferred pricing for member organizations
- stream-lined business engagement processes for clients
- simpler options for engineering and testing
- in-depth knowledge and capabilities to fill gaps among client groups

These measures, although early in their implementation, are showing positive impacts amongst the organization's users.

"We were very happy with the work performed by WESTEST on our behalf. Well thought out, professionally, executed, timely results."
– Roy MacLean, Director of Engineering, Lode-King Industries

A FOND FAREWELL

PAMI bids a fond farewell to a long-standing member of its Corporate Management Team.

Jim Wassermann began his career at PAMI as a Project Engineer in April 1980. His work was always stellar, drawing excellent reviews from managers and clients alike. In 1984, he was promoted to Senior Development Engineer and Station Manager in 1987. He retires the Vice President of Saskatchewan Operations – the head of PAMI's largest division.

Jim will be remembered as the consummate professional and his leadership style was one of a coordinator. He preferred to place key managers in the limelight but it's not to say that he wasn't recognized externally for his leadership. He has served adjunct professor roles in academia and chaired the Canadian Safety Association committee for Agricultural Machinery Standards. He volunteers his time on local boards in the Humboldt and Muenster areas.

As he steps down from his Vice President role, Jim will continue to lead part-time projects for PAMI. PAMI wishes the very best in retirement to Jim Wassermann and his wife, Teresa.

Jim Wassermann

MANAGEMENT REPORT

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2016

The accompanying financial statements are the responsibility of the management of the Prairie Agricultural Machinery Institute. They have been prepared in accordance with Canadian public sector accounting standards, using management's best estimates and judgments, where appropriate. Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and the accounting systems provide accurate and reliable financial information. The Board of Directors is responsible for ensuring that management's responsibilities are properly discharged to review and approve the financial statements. The Provincial Auditor of Saskatchewan has audited PAMI's financial statements in accordance with the Canadian generally accepted auditing standards and her report follows.

David Gullacher
President and Chief Executive Officer

Joanne Forer
Vice President Finance and Administration

FINANCIAL STATEMENTS

PROVINCIAL AUDITOR
of Saskatchewan

Independent Auditor's Report

To:The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Prairie Agricultural Machinery Institute, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and accumulated surplus, statement of remeasurement gains and losses, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Prairie Agricultural Machinery Institute as at March 31, 2016 and the results of its operations, its remeasurement gains and losses, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 12, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

1500 Chateau Tower - 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 *f* 306.787.6383 *e* info@auditor.sk.ca
www.auditor.sk.ca

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF FINANCIAL POSITION
As at March 31

	2016	2015
Financial Assets		
Cash	$ 744,050	$ 1,063,328
Due from General Revenue Fund (Note 3)	2,269,421	2,213,433
Accounts receivable (Note 4)	2,190,833	2,508,815
	5,204,304	**5,785,576**
Liabilities		
Accounts payable and accrued liabilities (Note 5)	865,765	1,019,097
Deferred revenue	1,010,969	698,280
	1,876,734	**1,717,377**
Net Financial Assets (Statement 4)	**3,327,570**	**4,068,199**
Non-Financial Assets		
Tangible capital assets (Schedule 1)	4,751,932	4,565,861
Prepaid expenses	277,568	481,675
Breeding herd (Note 6)	316,018	272,877
Inventory held for consumption (Note 7)	315,302	244,540
	5,660,820	**5,564,953**
Accumulated Surplus (Note 8)		
Accumulated operating surplus (Statement 2)	8,988,100	9,634,512
Accumulated remeasurement gains (losses) (Statement 3)	290	(1,360)
	8,988,390	9,633,152
	$ **8,988,390**	$ **9,633,152**

Contractual obligations (Note 13)

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended March 31

	Budget (Note 12)	2016	2015
Revenue			
Provincial Transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	$ 1,424,100	$ 1,023,000	$ 1,023,000
Government of Manitoba			
Department of Agriculture, Food and Rural Development			
- operating	429,682	333,000	259,682
	1,853,782	1,356,000	1,282,682
Fee for service	8,409,627	6,959,365	7,769,717
Other income	515,450	544,993	630,688
Interest income	8,000	19,003	31,000
Total revenues	**10,786,859**	**8,879,361**	**9,714,087**
Expenses			
Saskatchewan Operations	6,515,549	5,849,325	6,386,364
Western Beef Development Centre	2,063,345	1,880,359	1,753,953
Manitoba Operations	1,699,921	1,501,995	1,497,985
Corporate Services	547,965	544,044	412,258
Total expenses	**10,826,780**	**9,775,723**	**10,050,560**
Operating deficit before capital grants	**(39,921)**	**(896,362)**	**(336,473)**
Government of Manitoba - Capital grants from Department of Agriculture, Food and Rural Development	-	249,950	-
Operating deficit for the year (Schedule 2)	$ (39,921)	$ (646,412)	$ (336,473)
Accumulated operating surplus, beginning of year		9,634,512	9,970,985
Accumulated operating surplus, end of year (Statement 1)		$ 8,988,100	$ 9,634,512

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended March 31

	2016	2015
Accumulated remeasurement (losses) gains beginning of year	$ (1,360)	$ 453
Unrealized gains (losses) attributable to foreign exchange	290	(1,360)
Amounts reclassified to the statement of operations	1,360	(453)
Net remeasurement gains (losses) for the year (Statement 4)	1,650	(1,813)
Accumulated remeasurement gains (losses) end of year (Statement 1)	$ 290	$ (1,360)

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended March 31

	Budget (Note 12)	2016	2015
Operating deficit for the year (Statement 2)	$ (39,921)	$ (646,412)	$ (336,473)
(Acquisition) of tangible capital assets	(650,000)	(532,832)	(80,205)
(Acquisition and transfer) of breeding herd	-	(150,894)	(159,600)
Amortization of tangible capital assets	340,792	342,110	370,740
Amortization of breeding herd	77,827	79,004	68,219
Proceeds of disposal of tangible capital assets	-	-	-
Proceeds of disposal of breeding herd	-	75,182	108,286
Net loss on the disposal of tangible capital assets	1,200	-	-
Net loss on write-offs of tangible capital assets	-	4,651	1,487
Net (gain) on the disposal of breeding herd	(103,700)	(46,433)	(64,983)
Net (acquisition) consumption of tangible capital assets and breeding herd	(333,881)	(229,212)	243,944
Use (acquisition) of prepaid expenses	-	204,107	(213,903)
(Acquisiton) of inventory held for consumption	-	(70,762)	(651)
Consumption net (acquisition) of other non-financial assets	-	133,345	(214,554)
Net remeasurement gains (losses) for the year (Statement 3)		1,650	(1,813)
Decrease in Net Financial Assets		(740,629)	(309,896)
Net Financial Assets, beginning of year		4,068,199	4,377,095
Net Financial Assets, end of year (Statement 1)		$ 3,327,570	$ 4,068,199

(See accompanying notes and schedules to financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

STATEMENT OF CASH FLOWS
For the year ended March 31

	2016	2015
Cash flows from (used in) operating activities:		
Receipts from customers and others	$ 8,069,039	$ 9,187,162
Transfers from Government of Saskatchewan	1,023,000	1,023,000
Transfers from Government of Manitoba	333,000	259,682
Interest received	19,003	31,000
Payments to suppliers and employees	(9,348,738)	(9,573,113)
	95,304	927,731
Cash flows from (used in) capital activities:		
Purchase of tangible capital assets	(532,832)	(80,205)
Purchase and transfer of breeding herd	(150,894)	(159,600)
Proceeds from sale of tangible capital assets and breeding herd	75,182	108,286
	(608,544)	(131,519)
Cash flows from financing activities:		
Receipt of capital grants from Government of Manitoba	249,950	-
(Decrease) increase in cash position	(263,290)	796,212
Cash position, beginning of year	3,276,761	2,480,549
Cash position, end of year	$ 3,013,471	$ 3,276,761
Comprised of:		
Cash	$ 744,050	$ 1,063,328
Due from General Revenue Fund	2,269,421	2,213,433
	$ 3,013,471	$ 3,276,761

(See accompanying notes and schedules to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture, food and other industries. The Institute's testing facilities are located in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

The Institute's objective when managing its capital structure, which consists of net assets, is to ensure adequate funding exists to support its operations and growth strategies. Capital is managed through grant funding and a $700,000 available line of credit. The Institute does not have any long-term debt.

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on two customers for continued fee for service revenue. These customers account for 38% (2015 – 40%) of its fee for service revenue and 31% (2015 – 32%) of accounts receivable.

2. Significant accounting policies

Pursuant to standards established by the Canadian public sector accounting board (PSAB), the Institute is classified as an 'other government organization'. These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are as follows:

a) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Valuation allowances are used where considered necessary to reduce the amounts reported for financial assets to their net realizable value.

Cash consists of cash on hand, balances with financial institutions, and Due from General Revenue Fund.

Accounts receivable consist of receivables from customers (trade accounts) and other receivables. Receivables are recorded at cost less an allowance for doubtful accounts.

b) Non-financial assets

Non-financial assets are assets held for consumption in the provision of services. These assets do not normally provide resources to discharge the liabilities of the Institute unless they are sold. Tangible capital assets and other non-financial assets are accounted for as assets by the Institute because they can be used to provide services in future periods. Tangible capital assets are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using methods and rates intended to amortize the cost of assets over their estimated useful life.

	Method	Rate
Buildings	declining balance	5%
Equipment, furniture, and vehicles	declining balance	10%
Computer equipment	declining balance	30%
Leasehold improvements	straight line	10%
Computer software	straight line	33%

Prepaid expenses are prepaid amounts for goods or services which will provide economic benefits in one or more future periods.

The breeding herd is recorded at cost less accumulated amortization. This asset is being amortized at 20% declining balance.

Inventory held for consumption consists of calves, bulls and feed. Calves are recorded at net realizable value. Bulls and feed are recorded at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business.

c) Financial instruments

The Institute's financial instruments include cash, Due from General Revenue Fund, accounts receivable, accounts payable and accrued liabilities, and deferred revenue. These instruments are recorded at cost or amortized cost. The carrying amount of these instruments approximates fair value due to their immediate or short-term maturity. Except as otherwise disclosed the Institute is not exposed to significant credit, currency, interest or liquidity risk arising from these financial instruments that may affect the amount, timing and certainty of future cash flows.

d) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists
- contamination exceeds the environmental standard
- the Institute is directly responsible or accepts responsibility
- the Institute expects that future economic benefits will be given up and
- a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operation, maintenance and monitoring.

e) Government transfers

Government transfers are the transfer of assets from government agencies and are not the result of any exchange transactions, and there is no expectation to repay the amounts in the future or a financial return. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

f) Revenue recognition

The Institute's operations are funded by the Government of Saskatchewan and the Government of Manitoba according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the annual provincial transfers. The Institute recognizes provincial transfers when the transfer is authorized and eligibility criteria have been met by the Institute.

The Institute recognizes fee for service revenue when the related services are provided. It recognizes fee for service on contracts using the percentage of completion method. It records monies received prior to providing services as unearned revenue.

All other income is recognized when earned.

g) Basis of segmentation

The Institute has adopted the Canadian public sector accounting standards requiring financial information to be provided on a segmented basis. The Institute has been segmented by accountability center. Revenues that are directly related to the costs of the segment have been attributed to each segment.

The segments are as follows:

- **Corporate Services** provides for the administration of the Institute.
- **Saskatchewan Operations** is an applied research, design, development and testing segment. It serves the agricultural, industrial, transportation, military and other market sectors.
- **Manitoba Operations** is an applied research, design, development and testing segment. It serves the agricultural, industrial, transportation, military and other market sectors.
- **Western Beef Development Centre (WBDC)** applies and transfers beef research to improve profitability of the cow/calf sector of the beef industry.

h) Foreign currency translation

Monetary and non-monetary assets and liabilities prior to settlement that are denominated in foreign currencies are translated into Canadian dollars on the balance sheet date at the exchange rate in effect for that date and are recorded in the Statement of Remeasurement Gains and Losses. In the period of settlement, the cumulative amount of the remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and Losses and an exchange gain or loss is recognized in the Statement of Operations and Accumulated Surplus. Revenue and expense transactions are translated at the approximate exchange rate in effect for that date and are included in the determination of net income for the year.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts receivable includes fee for service revenue on contracts based on an estimate of the percentage of completion at the time of measurement. The measurement of materials and supplies are based on estimates of volume and quality. Amortization is based on the estimated useful lives of tangible capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

The degree of uncertainty associated with the measurement of estimated amounts recognized in the financial statements is not material.

3. Due from General Revenue Fund

Due from General Revenue Fund is money held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2016, the average interest rate was .60% (2015 – .92%).

4. Accounts receivable

	2016	2015
Trade accounts receivable	$2,201,714	$2,491,009
Other	6,980	17,806
Allowance for doubtful accounts	(17,861)	-
Accounts receivable	$2,190,833	$2,508,815

Of the accounts receivable balance, approximately $179,000 is over 60 days. The Institute expects to fully collect this balance.

5. Accounts payable and accrued liabilities

	2016	2015
Trade accounts payable	$442,619	$684,295
Wages and other personnel costs	346,400	293,684
Other	76,746	41,118
Accounts payable and accrued liabilities	$865,765	$1,019,097

6. Breeding herd

Cost	2016	2015
Opening balance	$579,303	$531,761
Additions and transfers	150,894	159,600
Disposals	(76,871)	(112,058)
Closing Balance	$653,326	$579,303
Accumulated Amortization		
Opening balance	$306,426	$306,962
Amortization	79,004	68,219
Disposals	(48,122)	(68,755)
Closing Balance	$337,308	$306,426
Net Book Value	$316,018	$272,877

The breeding herd consists of cows that are used for beef research in the operations of the Western Beef Development Centre.

7. Inventory held for consumption

	2016	2015
Feed	$169,327	$ 43,805
Calves	83,289	128,383
Bulls	62,686	72,352
Total	$315,302	$244,540

Inventory consumed in 2016 was $97,792 and in 2015 was $39,858.

8. Accumulated Surplus

Accumulated surplus represents the net financial assets and non-financial assets of the Institute.

Accumulated surplus is comprised of the following two amounts:

- Accumulated operating surplus from operations, which represents the accumulated balance of net surplus arising from operations of the Institute and allocations as detailed in the table below.
- Accumulated remeasurement gains and losses, which represents the unrealized gains and losses associated with foreign exchange.

Certain amounts of the accumulated operating surplus, as approved by the board, have been designated for specific future purposes. These internally restricted amounts are included in the accumulated operating surplus presented in the Statement of Financial Position.

Accumulated operating surplus from operations is as follows:

	2015	Additions during the year	Reductions during the year	2016
Internally Restricted Surplus:				
Bio-energy and processing	$1,595,747	$ 9,305	$(230,605)	$1,374,447
Government funded capital	2,085,220	249,950	(182,093)	2,153,077
	3,680,967	**259,255**	**(412,698)**	**3,527,524**
Unrestricted Surplus	**5,953,545**		**(492,969)**	**5,460,576**
Accumulated Operating Surplus	**$9,634,512**	**$ 259,255**	**$(905,667)**	**$8,988,100**

9. Related party transactions

This financial statement includes transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	2016	2015
Financial statements category		
Fee for service revenue	$1,910,954	$1,679,578
Other operating expenses	781,237	810,293
Accounts receivable	735,206	376,496
Accounts payable and accrued liabilities	155,957	131,494
Unearned revenue	873,387	562,568

In addition, the Institute pays Saskatchewan and Manitoba provincial sales tax on its taxable purchases made in those provinces. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Pensions

The Institute's employees participate in the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. Pension benefits are based on accumulated contributions and investment earnings. The Institute's responsibility is limited to paying the required employer contributions of 6% of regular salaries. In 2016 the Institute made contributions of $299,241 (2015 - $301,260) which are funded from current operations.

11. Financial risk management

Risks have been identified and the Institute ensures that management monitors and controls them. The significant financial risks to which the Institute is exposed are:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institute is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Institute applies sound credit practices. The Institute incurred insignificant bad debt expense during the past five years.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk is comprised of currency risk and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Institute is exposed to currency risk on its cash, accounts receivable, and accounts payable. The Institute does not use any derivative financial instruments to alter the effects of this risk.

The Institute enters into transactions denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2016 the following items are denominated in United States currency (CAD converted at $1 USD - 1.2971 CAD (2015 – 1.2683 CAD)):

	2016	2015
Cash	$32,466	$39,868
Accounts payable	8,909	96,203

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute's exposure to interest rate risk is limited to the line of credit and trade payables. The interest rate on this debt is variable; therefore, the Institute may face increasing interest costs in an increasing interest rate market.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Institute's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Institute's financial obligations.

12. Budget

The budget for 2015/2016 was approved by the Board on April 14, 2015. The budget figures are presented for comparison purposes.

13. Contractual obligations

The Institute has committed to provide future services to several research and development projects. At March 31, 2016, the value of these services totals $311,895 (2015 - $165,910).

Lease terms on vehicles, equipment and land range from 2 to 10 years. In 2016, these lease costs totalled $104,105 (2015 - $105,307). The Institute is required to make the following minimum lease payments on these leases:

2017	$ 54,111
2018	28,134
2019	2,530
2020	2,530
2021 - 2025	429

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors. WESTEST retains an equipment utilization fee on WESTEST projects with the balance of the project revenue due to the Institute. During the year, the Institute earned fee for service revenue of $242,926 (2015 - $391,018) from WESTEST. At year-end, accounts receivable includes $231,452 (2015 - $389,446) due from WESTEST.

14. Comparative Figures

Certain prior year balances have been reclassified to conform to the current year's financial statement presentation.

Schedule 1

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

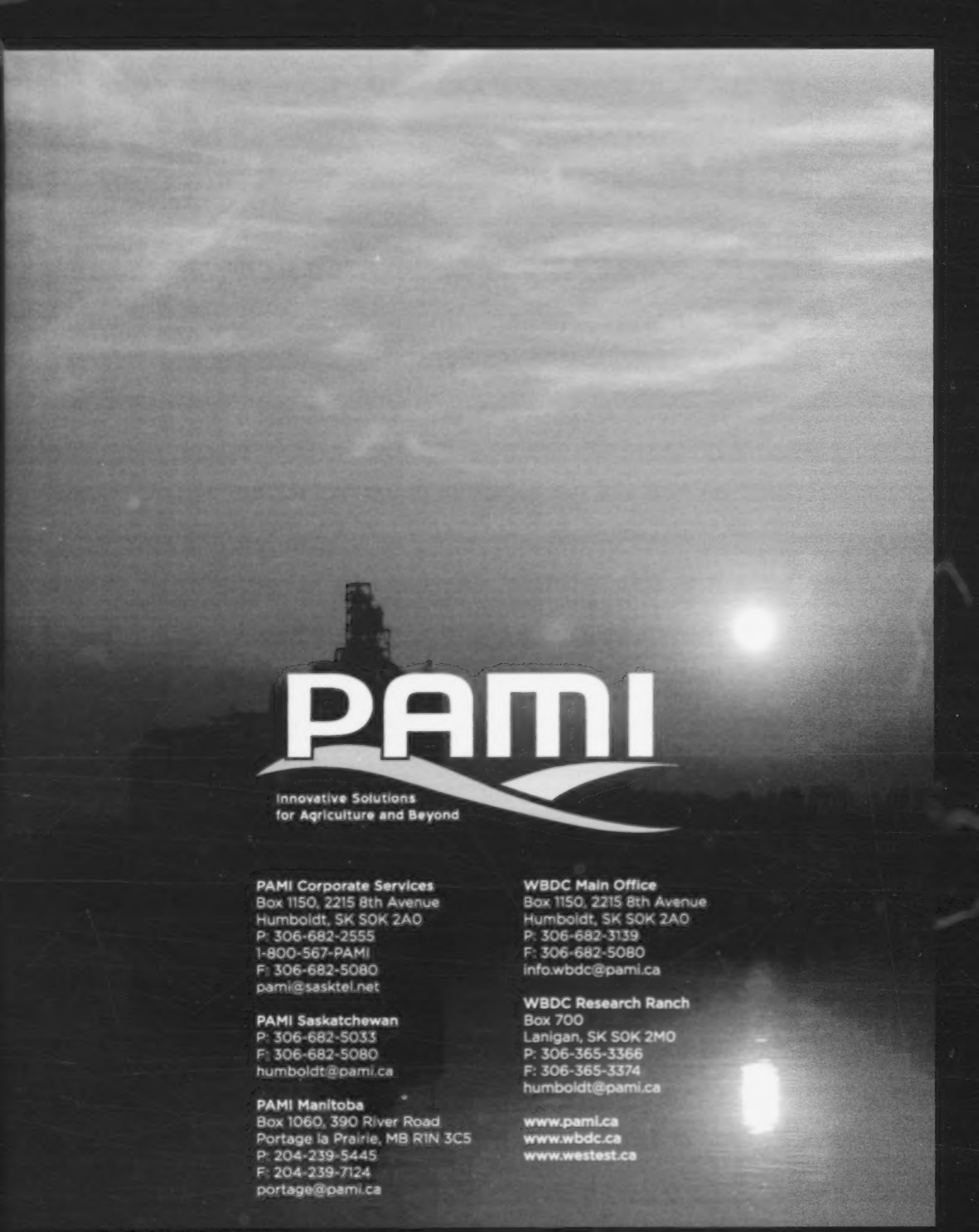
SCHEDULE OF TANGIBLE CAPITAL ASSETS
As at March 31

	Asset Cost					Accumulated Amortization					Net Book Value 2016	Net Book Value 2015
	Opening Balance	Additions	Disposals	Write-downs	Closing Balance	Opening Balance	Amortization	Disposals	Write-downs	Closing Balance		
Land and Improvements	$ 279,841	$ -	$ -	$ -	$ 279,841	$ -	$ -	$ -	$ -	$ -	$ 279,841	$ 279,841
Buildings	5,386,076	-	-	-	5,386,076	3,198,434	109,382	-	-	3,307,816	2,078,260	2,187,642
Equipment and Furniture	3,989,466	45,784	-	(4,297)	4,030,953	2,217,750	181,402	-	(816)	2,398,336	1,632,617	1,771,716
Vehicles	599,255	-	-	-	599,255	404,259	19,499	-	-	423,758	175,497	194,996
Computer Equipment	390,890	-	-	(13,008)	377,882	354,574	10,544	-	(11,838)	353,280	24,602	36,316
Leasehold Improvements	171,246	-	-	-	171,246	95,524	17,125	-	-	112,649	58,597	75,722
Computer Software	71,881	-	-	-	71,881	67,723	4,158	-	-	71,881	-	4,158
Assets Under Construction	15,470	487,048	-	-	502,518	-	-	-	-	-	502,518	15,470
Total	$10,904,125	$ 532,832	$ -	$ (17,305)	$11,419,652	$6,338,264	$ 342,110	$ -	$ (12,654)	$6,667,720	$4,751,932	$4,565,861

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

SCHEDULE OF SEGMENT DISCLOSURE
For the Year Ended March 31

	Corporate Services		Saskatchewan		Manitoba		Western Beef Development Centre		Total	
	2016	2015	2016	2015	2016	2015	2016	2015 (Note 14)	2016	2015 (Note 14)
Revenue										
Provincial Transfers:										
Government of Saskatchewan										
Ministry of Agriculture										
- operating	$ 320,000	$ 320,000	$ 310,000	$ 310,000	$ -	$ -	$ 393,000	$ 393,000	$ 1,023,000	$ 1,023,000
Government of Manitoba										
Department of Agriculture,Food and Rural Development										
- operating	30,000	30,000	-	-	303,000	229,682	-	-	333,000	259,682
	350,000	350,000	310,000	310,000	303,000	229,682	393,000	393,000	1,356,000	1,282,682
Fee for service	8,076	-	4,923,944	5,691,759	967,157	1,131,060	1,060,188	946,898	6,959,365	7,769,717
Other income	3,540	201	42,340	64,664	10,473	17,465	490,640	548,356	544,993	630,686
Interest income	9,257	14,322	9,746	16,678	-	-	-	-	19,003	31,000
Total Revenues	**370,873**	**364,525**	**5,294,030**	**6,083,101**	**1,280,630**	**1,378,207**	**1,943,828**	**1,888,254**	**8,879,361**	**9,714,087**
Expenses										
Personnel	746,106	686,508	3,355,902	3,836,892	873,198	812,618	811,234	789,559	5,786,440	6,125,577
Fee for service direct costs	4,476	-	1,063,670	1,102,486	177,919	202,793	521,680	428,221	1,767,745	1,733,500
Administration	111,195	83,663	602,687	610,592	210,216	226,659	183,475	188,283	1,107,573	1,110,197
Operating	31,016	33,944	313,079	279,731	76,169	79,928	136,025	126,891	559,289	514,494
Administration fee (recovery)	(359,095)	(400,712)	256,375	285,619	49,711	57,748	53,009	47,345	-	-
Amortization	5,000	5,000	200,998	217,050	85,769	94,041	129,148	122,868	421,115	438,959
Lease - land and equipment	1,848	1,880	37,493	38,700	22,533	29,348	42,037	41,399	103,911	109,327
Loss on disposal of assets	-	-	1,170	637	3,480	850	1,606	4,347	6,256	5,834
Honoraria	3,498	1,995	-	-	-	-	1,945	4,040	5,443	6,035
Bad debt	-	-	17,951	10,657	-	-	-	-	17,951	10,657
Total expenses	**544,044**	**412,258**	**5,849,325**	**6,386,364**	**1,501,995**	**1,497,985**	**1,880,359**	**1,753,953**	**9,775,723**	**10,050,560**
Surplus (deficit) before capital grants	**(173,171)**	**(47,733)**	**(565,295)**	**(303,263)**	**(221,365)**	**(119,778)**	**63,469**	**134,301**	**(896,362)**	**(336,473)**
Capital grants	-	-	-	-	249,950	-	-	-	249,950	-
Surplus (deficit) for the year	**$ (173,171)**	**$ (47,733)**	**$ (565,295)**	**$ (303,263)**	**$ 28,585**	**$ (119,778)**	**$ 63,469**	**$ 134,301**	**$ (646,412)**	**$ (336,473)**



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